FINANCIAL REPORT WITH SUPPLEMENTARY INFORMATION

Year Ended February 28, 2007

	OCEDURES REP 168, as amended. Filing is ma					
Local Government Ty	/pe	Local Government			County	1
Audit Date	Village ☐ Other Opinion Date	Village of Tek	onsha Date Accountant Repor	+ Submitted to 9	Calhoun	
February 28, 20	007 May 25, 2	007	May 30, 2007			
prepared in accord	e financial statements ance with the Statemen for Financial Statemen isury.	nts of the Governi	mental Accounting S	Standards Boa	ard (GASB) and	the Uniform
We affirm that:						
We have compli	ed with the <i>Bulletin for</i> i	the Audits of Loca	l Units of Governme	nt in Michigan	as revised.	
2. We are certified	public accountants reg	istered to practice	in Michigan.			
We further affirm the the report of common	e following. "Yes" resp ents and recommendati	onses have been ions	disclosed in the fina	ncial statemei	nts, including th	e notes, or in
You must check the	e applicable box for eac	h item below.				
☐ yes ☒ no 1	. Certain component u	nits/funds/agencie	es of the local unit ar	e excluded fro	om the financial	statements.
☐ yes ☒ no 2	There are accumulate earnings (P.A. 275 of		or more of this unit's	unreserved fo	und balances/re	etained
⊠ yes □ no 3	There are instances of 1968, as amended).	of non-compliance	with the Uniform Ad	counting and	Budgeting Act	(P.A. 2 of
☐ yes ☒ no 4	4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.					
☐ yes ☒ no 5	The local unit holds of 1943, as amended	The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).				
☐ yes ☒ no 6.						
☐ yes ☒ no 7.	yes in o 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during they year).					
☐ yes ☒ no 8.	The local unit uses cr 1995 (MCL 129.241).	redit cards and ha	s not adopted an ap	plicable policy	as required by	P.A. 266 of
☐ yes ☒ no 9.	The local unit has not	t adopted an inves	stment policy as requ	iired by P.A. 1	196 of 1997 (M	CL 129.95).
We have enclos	ed the following:			Enclosed	To Be Forwarded	N ot Required
The letter of comm	ents and recommendat	tions.		X		
Reports on individu	ual federal financial ass	istance programs	(program audits).			Х
Single Audit Reports (ASLGU).						
Certified Public Accountant (Firm Name)						
Campbell, Kusterer & Co., P.C. Street Address City State Zip						
512 N. Lincoln, Suite 100, P.O. Box 686 Acepuntant Signature (MM) L. Worthon E. C., P.C.						
Marianete, margier & Co. 11 . C.						

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CAMPBELL, KUSTERER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

May 25, 2007

To the Village Council Village of Tekonsha Calhoun County, Michigan

We have audited the accompanying financial statements of the governmental activities, business type activities and each major fund of Village of Tekonsha, Calhoun County, Michigan as of and for the year ended February 28, 2007, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Village of Tekonsha's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business type activities and each major fund of the Village of Tekonsha, Calhoun County, Michigan as of February 28, 2007, and the respective changes in financial position and cash flows where applicable, of these activities and funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated May 25, 2007, on our consideration of the Village of Tekonsha's internal control over financial reporting and on tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis and budgetary comparison information listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the Village's basic financial statements. The other supporting information described in the accompanying table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, in our opinion, it is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

, Kusterec & CO., P.C.

CAMPBELL, KUSTERER & CO., P.C.

Certified Public Accountants

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the year ended February 28, 2007

The Management's Discussion and Analysis report of the Village of Tekonsha covers the Village's financial performance during the year ended February 28, 2007.

FINANCIAL HIGHLIGHTS

Our financial status has improved over the last year. Net assets at February 28, 2007, totaled \$497,096.75 for governmental activities and \$2,682,269.28 for business-type activities. Overall total capital assets remained approximately the same.

Overall revenues were \$399,163.22 from governmental activities and \$265,678.56 from business-type activities. Governmental activities had a \$25,038.73 increase in net assets and business-type activities had a \$114,225.16 decrease in net assets.

We did not incur any new debt.

OVERVIEW OF FINANCIAL STATEMENTS

This annual report consists of three parts, management's discussion and analysis, the basic financial statements and required supplementary information. The basic financial statements include two different kinds of statements that present different views of the Village and the notes to the financial statements.

The first two statements are entity-wide financial statements and provide both long and short-term information about our overall financial status. These statements present governmental and business-type activities.

The remaining statements are fund financial statements, which focus on individual parts of the Village in more detail.

The notes to the financial statements explain some of the information in the statements and provide more detailed data.

Required supplementary information further explains and supports the financial statement information with budgetary comparisons.

ENTITY-WIDE FINANCIAL STATEMENTS

The entity-wide statements report information about the Village as a whole using accounting methods used by private companies. The statement of net assets includes all of the Village's assets and liabilities. The statement of activities records all of the current year revenues and expenses regardless of when received or paid.

The two entity-wide statements report net assets and how they have changed. Net assets are the difference between the entity's assets and liabilities and this is one method to measure the entity's financial health or position.

All of the activities of the Village are reported as governmental activities and business-type activities. These include the General Fund, Local and Major Street Funds, Fire Fund, Building Fund, Industrial Park Fund, and Water and Sewer Funds

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the year ended February 28, 2007

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the Village's funds, focusing on significant (major) funds not the Village as a whole. Funds are used to account for specific activities or funding sources. Some funds are required by law or bond covenants. The Village Council also may create them. Funds are established to account for funding and spending of specific financial resources and to show proper expenditures of those resources.

The Village has the following types of funds:

Governmental Funds: Some of the Village's activities are included in the governmental fund category. These funds are presented on the modified accrual basis, which is designed to show short-term financial information. You will note that the differences between the Village's entity-wide statements and the fund statements are disclosed in reconciling statements to explain the differences between them. The Village's governmental funds include the General Fund, Building Fund, Major and Local Street Funds, Fire Fund and the Industrial Park Fund.

Business Type Funds: The Village has Water and Sewer Funds, which include the activity of providing water and wastewater removal service to the Village residents.

FINANCIAL ANALYSIS OF THE VILLAGE AS A WHOLE

We continue to repay our USDA loan principal at \$26,000.00 per year, paid bi-annually. Our original 40 year loan was taken out in 1999 at \$2,110,000.00 and we have paid \$158,000.00 towards the principal. We did not do any sewer or water rate increases this year.

We continue to pay our MEDC loan, which has been reduced from \$393,000.00 to \$115,611.71. This was accomplished by applying the job credit that resulted from the creation of 28 new jobs and having our prior interest paid applied to the loan balance. No further interest will be applied to this loan, our payments are now applied solely to the principal.

FINANCIAL ANALYSIS OF THE VILLAGE'S FUNDS

The General Fund pays for most of the Village's governmental services and incurred expenses of \$255,187.49. Major and Local Streets incurred expenses of \$49,871.15. The Water and Sewer Funds incurred \$138,226.73 in depreciation expense and \$241,676.99 in other expenses.

CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY

The Village's governmental activities invested \$861.12 in capital assets.

The Village's business-type activities invested \$0 in capital assets.

The Village's governmental activities paid \$30,915.77 of principal on long-term debt.

The Village's business-type activities paid \$26,000.00 of principal on long-term debt.

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the year ended February 28, 2007

KNOWN FACTORS AFFECTING FUTURE OPERATIONS

We currently have several streets in need of repair. Money has been set aside to repair the streets. The Water Fund has sufficient net assets, but expenditures are projected to exceed revenues in the next fiscal budget year. At some point, the Village may need to take action on this condition.

CONTACTING THE VILLAGE'S MANAGEMENT

This financial report is intended to provide our taxpayers, creditors, and customers with a general overview of the Village's finances and to demonstrate the Village's accountability for the revenues it receives. If you have any questions concerning this report, please contact the Village Clerk or the Village Treasurer at 517-767-4204.

GOVERNMENT-WIDE STATEMENT OF NET ASSETS February 28, 2007

	Governmental Activities	Business-Type Activities	Total
ASSETS:			_
CURRENT ASSETS:	50.00		50.00
Petty cash Cash in bank	50 00 193 045 41	- 152 518 41	50 00 345 563 82
Accounts receivable	122 35	47 894 07	48 016 42
Taxes receivable	22 722 08	-	22 722 08
Due from State of Michigan	25 583 68	-	25 583 68
Cash in bank – restricted		<u>122 957 73</u>	<u>122 957 73</u>
Total Current Assets	241 523 52	323 370 21	564 893 73
NONCURRENT ASSETS:			
Capital Assets	608 412 72	6 128 282 87	6 736 695 59
Less: Accumulated Depreciation	(151 321 34)	(1 821 324 12)	(1 972 645 46)
Total Noncurrent Assets	457 091 38	4 306 958 75	4 764 050 13
TOTAL ASSETS	698 614 90	4 630 328 96	5 328 943 86
LIABILITIES AND NET ASSETS:			
LIABILITIES:			
CURRENT LIABILITIES:			
Accounts payable	5 215 07	2 532 00	7 747 07
Deposit payable Internal balances	195 00	(0.470.20)	195 00
Total Current Liabilities	6 472 32 11 882 39	(6 472 32) (3 940 32)	7 942 07
Total Guitern Elabilities	11 002 39	(3 940 32)	
NONCURRENT LIABILITIES:			
Notes payable	189 635 76	-	189 635 76
Bonds payable	-	<u>1 952 000 00</u>	1 952 000 00
Total Noncurrent Liabilities	<u>189 635 76</u>	1 952 000 00	<u>2 141 635 76</u>
Total Liabilities	201 518 15	1 948 059 68	2 149 577 83
NET ASSETS: Invested in Capital Assets,			
Net of Related Debt	267 455 62	2 354 958 75	2 622 414 37
Restricted for debt service	-	122 957 73	122 957 73
Unrestricted	<u>229 641 13</u>	204 352 80	433 993 93
Total Net Assets	<u>497_096_75</u>	2 682 269 28	<u>3 179 366 03</u>
TOTAL LIABILITIES AND NET ASSETS	698 614 90	4 630 328 96	5 328 943 86

GOVERNMENT-WIDE STATEMENT OF ACTIVITIES Year ended February 28, 2007

		Program Revenue	Governmental Activities Net (Expense)
FUNCTIONS/PROGRAMS	Expenses	Charges for Services	Revenue and Changes in Net Assets
Governmental Activities:			
Legislative	14 926 48	-	(14 926 48)
General government	76 408 80	2 612 37	(73 796 43)
Public safety	125 224 17	68 143 45	(57 080 72)
Public works	135 451 95	5 952 16	(129 499 79)
Recreation and culture	8 9 06 67	-	(8 906 67)
Interest on long-term debt	<u>5 693 00</u>	-	(5 693 00)
Total Governmental Activities	366 611 07	76 707 98	(289 903 09)
Business Type Activities:			
Water and sewer	379 903 72	262 784 16	-
Total Business Type Activities	379 903 72	262 784 16	
Total Government	<u>746 514 79</u>	339 492 14	(289 903 09)
General Revenues:			
Property taxes			178 777 74
State revenue sharing			151 484 90
Interest			1 985 94
Miscellaneous			10 343 24
Transfers from (to) other units			(27 650 00)
Total General Revenues			314 941 <u>82</u>
Change in net assets			25 038 73
Net assets, beginning of year			472 058 02
Net Assets, End of Year			497 096 75

Business Type Activities Net (Expense) Revenue and Changes in Net Assets	Total Net (Expense) Revenue and Changes in Net Assets
- - - - -	(14 926 48) (73 796 43) (57 080 72) (129 499 79) (8 906 67) (5 693 00)
- (447.440.50)	(289 903 09)
(117 119 56) (117 119 56)	(117 119 56)
<u>(117 119 56)</u> -	(407 022 65) 178 777 74
2 894 40 - -	151 484 90 4 880 34 10 343 24 (27 650 00)
2 894 40	317 836 22
(114 225 16)	(89 186 43)
2 796 494 44	3 268 552 46
<u>2 682 269 28</u>	<u>3 179 366 03</u>

BALANCE SHEET - GOVERNMENTAL FUNDS February 28, 2007

A 4-	General	Major Street	Local Street	Fire
<u>Assets</u>				
Petty cash	50 00	-	-	-
Cash in bank	27 120 82	105 264 28	20 396 27	34 426 11
Accounts receivable	-	-	-	-
Taxes receivable	22 722 08	-	-	-
Due from State of Michigan	11 151 00	11 193 88	3 238 80	-
Due from other funds	<u>167 816 53</u>	41 000 00	<u>34 228 67</u>	
Total Assets	228 860 43	<u>157 458 16</u>	<u>57 863 74</u>	34 426 11
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	4 822 92	180 96	129 84	-
Due to other funds	131 624 70	42 049 64	36 239 43	34 426 11
Deposit payable	195 00		_	
Total liabilities	<u>136 642 62</u>	42 230 60	36 369 27	34 426 11
Fund balances:				
Fund balances:				
Unreserved:				
Undesignated	92 217 81	115 227 56	21 494 47	
Total fund balances	92 217 81	115 227 56	21 494 47	
Total Liabilities and Fund Balances	228 860 43	<u>157 458 16</u>	<u>57 863 74</u>	34 426 11

Other Funds	<u>Total</u>	
T dilas	TOTAL	
-	50 00	
-	187 207 48	
122 35	122 35	
_	22 722 00 25 583 68	
5 018 70	248 063 90	
<u>5 141 05</u>	<u>483 749 49</u>	
	E 400.70	
5 031 42	5 133 72 249 371 30	
-	195 00	
<u>5 0</u> 31 42	254 700 02	
<u>109 63</u>	<u>229 049 47</u>	
109 <u>63</u>	<u>229 049 47</u>	
5 141 05	<u>483 749 49</u>	

RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS February 28, 2007

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS	229 049 47
Amounts reported for governmental activities in the statement of net assets are different because –	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds balance sheet:	
Capital assets at cost Accumulated depreciation	608 412 72 (151 321 34)
Long-term debt liabilities are not due and payable in the current period and therefore are not reported in the governmental funds:	
Notes payable	(189 635 76)
The internal service fund is used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service fund is included in governmental activities in the statement of net assets.	
Add net assets (liabilities) of governmental activities accounted for in the internal service fund net of capital assets and long-term debt which are included above	591 66

TOTAL NET ASSETS - GOVERNMENTAL ACTIVITIES

4<u>97 096 75</u>

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS

Year ended February 28, 2007

	General	Major Street	Local Street	Fire
Revenues:				
Property taxes	178 777 74	_		-
Licenses and permits	828 00	-	-	-
State revenue sharing	67 867 75	65 675 34	17 941 81	-
Charges for services	1 784 37	-	-	41 481 12
Special assessments	5 952 16	-	-	-
Interest	149 44	1 250 66	133 61	452 23
Miscellaneous	10 343 24			
Total revenues	265 702 70	66 926 00	18 075 42	41 933 35
Expenditures:				
Legislative:				
Village Council	14 926 48		-	-
General government:				
Accounting	32 719 06	-	-	-
Clerk	7 371 74	-	-	-
Treasurer	6 538 22	-	-	-
Building and grounds	29 779 78	-	-	-
Public safety:				
Fire protection	22 535 91	-	-	51 783 43
Police protection	43 561 16	-	-	-
Planning and zoning	735 00	-	-	-
Public works:				
Public works	46 578 51	-	-	-
Sidewalks	96 08	-	-	=
Drains	94 29	-	-	-
Construction	-	-	-	-
Routine maintenance	-	21 096 35	17 690 52	-
Winter maintenance	-	5 262 06	4 730 01 -	
Traffic services	-	595 75	496 46 -	
Mosquito control	3 375 43	-	-	-
Street lighting	18 460 99	-	-	-
Culture and recreation:				
Parks	8 906 67	-	<u>-</u>	_
Capital outlay	861 12	-	-	-
Debt service	<u>18 647 05</u>			12 42 <u>0 67</u>
Total expenditures	<u>255 187 49</u>	26 954 16	22 916 99	64 204 10
Excess (deficiency) of revenues				
over expenditures	<u>10 515 21</u>	<u>39 971 84</u>	(4 841 57)	(22 270 75)

Other	
<u>Funds</u>	Total
-	178 777 74 828 00
-	151 484 90
6 525 75	49 791 24
-	5 952 16 1 985 94
	10 343 24
6 525 75	399 163 22
-	14 926 48
-	32 719 06
-	7 371 74
-	6 538 22 29 779 78
-	29 / / 9 / 8
-	74 319 34
-	43 561 16
6 608 67	7 343 67
-	46 578 51
-	96 08
-	94 29
- -	- 38 786 87
-	9 992 07
-	1 092 21
-	3 375 43
-	18 460 99
-	8 906 67
-	861 12
	<u>31 067 72</u>
<u>6 608 67</u>	<u>375 871 41</u>
(82 92)	<u>23</u> 291 81

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -GOVERNMENTAL FUNDS Year ended February 28, 2007

	General	Major Street	Local Street	Fire
Other financing sources (uses):				
Operating transfers in	1 000 00	_	5 000 00	2 401 44
Operating transfers out	(2 401 44)	(6 000 00)	-	-
Transfers to other units				(27 650 00)
Total other financing sources (uses)	(1 401 44)	(6 000 00)	5 000 00	(25 248 56)
Excess (deficiency) of revenues and other sources over expenditures				
and other uses	9 113 77	33 971 84	158 43	(47 519 31)
Fund balances, March 1	83 104 04	81 255 72	21 336 04	47 519 31
Fund Balances, February 28	92 21 <u>7 81</u>	<u>115 227 56</u>	21 494 47	_

Other Funds	Total	
- - - -	8 401 44 (8 401 44) (27 650 00) 27 650 00	
(82 92)	(4 358 19)	
<u>192 55</u>	233 407 66	
109 63	229 049 47	

RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES Year ended February 28, 2007

NET CHANGES IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS

(4 358 19)

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures; in the Statement of Activities, these costs are allocated over their estimated useful lives as depreciation

Depreciation Expense (16 975 50)
Capital Outlay 861 12

Repayment of debt principal is an expenditure in the governmental funds, the repayment does not have an effect in the statement of activities but does reduce the debt balance in the statement of net assets.

Principal payments on long-term debt

25 374 72

The internal service fund is used by management to charge the costs of certain activities to individual funds. The net revenue (expense) of the internal service fund is reported with governmental activities.

Add: net operating income (loss) from governmental activities accounted for in the internal service fund.

20 136 58

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES.

25 038 73

STATEMENT OF NET ASSETS -- ALL PROPRIETARY FUNDS February 28, 2007

			Total	Internal Service
	Water	Sewer	Enterprise	Equipment
<u>Assets</u>				
Cash in bank	70 477 37	82 041 04	152 518 41	5 837 93
Accounts receivable	14 455 99	33 438 08	47 894 07	-
Due from other funds	98 892 50	323 90	99 216 40	31 777 91
Cash in bank – restricted	-	122 957 73	122 957 73	-
Capital assets	3 119 367 02	3 008 915 85	6 128 282 87	148 486 22
Accumulated depreciation	(862 199 83)	(959 124 29)	(1 821 324 12)	(122 371 05)
Total Assets	2 440 993 05	2 288 552 31	<u>4 729 545 36</u>	63 731 01
Liabilities and Net Assets				
Liabilities:				
Accounts payable	1 963 09	568 91	2 532 00	81 35
Due to other funds	13 363 60	79 380 48	92 744 08	36 942 83
Bonds payable	<u>-</u>	<u>1 952 000 00</u>	<u>1 952 000 00</u>	
Total liabilities	<u>15 326 69</u>	2 031 949 39	<u>2 047 276 08</u>	37 024 18
Net assets:				
Invested in capital assets,				
net of related debt	2 257 167 19	97 791 56	2 354 958 75	26 115 17
Restricted	-	122 957 73	122 957 73	-
Unrestricted	<u>168 499 17</u>	<u>35 853 63</u>	<u>204 352 80</u>	<u>(591 66)</u>
Total net assets	2 425 666 36	256 602 92	2 682 269 28	26 706 83
Total Liabilities and Net Assets	2 440 993 05	2 288 552 31	<u>4 729 545 36</u>	63 731 01

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS – ALL PROPRIETARY FUNDS Year ended February 28, 2007

			Total	Internal Service
	Water	Sewer	Enterprise	Equipment
Operating revenues:				
Charges for services	72 451 33	183 983 08	256 434 41	46 005 98
Miscellaneous	<u>1 943 95</u>	4 405 80	<u>6 349 75</u>	
Total operating revenues	74 395 28	18 <u>8 388 88</u>	<u>262 784 16</u>	46 005 98
Less operating expenses:				
Wages	21 297 68	36 306 52	57 604 20	2 902 31
Benefits	1 606 37	2 895 84	4 502 21	195 55
Supplies	5 738 50	3 032 28	8 770 78	6 915 47
Professional services	2 323 84	10 960 77	13 284 61	372 00
Insurance	4 064 92	4 064 92	8 129 84	2 932 24
Utilities	6 661 96	23 740 44	30 402 40	7 151 39
Equipment rental	9 722 38	18 829 62	28 552 00	-
Repairs and maintenance	1 743 52	22 973 31	24 716 83	5 291 43
Miscellaneous	<u>_ 1 107 57</u>	<u>744 05</u>	<u>1 851 62</u>	-
Total operating expenses before				05 700 00
depreciation	54 266 74	<u>123 547 75</u>	<u>177 814 49</u>	<u>25 760 39</u>
Operating income (loss) before				
depreciation	20 128 54	64 841 13	84 969 67	20 245 59
Less: depreciation	(62 360 39)	<u>(75 866 34)</u>	(138 226 73)	(15 048 26)
Operating income (loss)	(42 231 85)	(11 025 21)	(53 257 06)	<u>5 197 33</u>
Other income and (expense):				
Interest income	1 237 76	1 656 64	2 894 40	6 71
Interest expense	-	(63 862 50)	(63 862 50)	(115 72)
Net other income and (expense)	1 237 76	(62 205 86)	(60 968 10)	(109 01)
Net income (loss)	(40 994 09)	(73 231 07)	(114 225 16)	5 088 32
Net assets, March 1	2 466 660 45	329 833 99	2 796 494 44	<u>21 618 51</u>
Net Assets, February 28	<u>2 425 666 36</u>	<u>256 602 92</u>	2 682 269 28	26 706 83

COMBINING STATEMENT OF CASH FLOWS – ALL PROPRIETARY FUNDS Year ended February 28, 2007

	184 (Total	Internal Service
Cach flavo from aparating activities:	Water	Sewer	<u>Enterprise</u>	<u>Equipment</u>
Cash flows from operating activities: Cash received from customers Cash payments to suppliers for	69 445 05	179 403 56	248 848 61	46 005 98
goods and services Cash payments to employees	(33 478 21)	(87 123 00)	(120 601 21)	(22 884 69)
for services Other operating revenues	(21 297 68) 1 943 95	(36 306 52) 4 405 80	(57 604 20) 6 349 75	(2 902 31)
Net cash provided (used) for operating activities	16 613 11	60 379 84	76 992 95	20 218 98
_				<u> </u>
Cash flows from non-capital and related financing activities: Net borrowings (repayments)				
With other funds	(40 <u>637 95)</u>	<u>36 370 61</u>	(4 267 34)	<u>(10 259 50)</u>
Net cash provided (used) for non- Capital and related financing				
Activities	(40 637 95)	<u>36 370 61</u>	(4 267 34)	(10 259 50)
Cash flows from capital and related financing activities: Payments of principal on				
long-term debt Payments of interest on	-	(26 000 00)	(26 000 00)	(5 541 05)
long-term debt		(63 862 50)	(63 862 50)	(115 72)
Net cash provided (used) for capital and related financing activities	<u> </u>	(89 862 50)	(89 862 50)	(5 656 77)
Cash flows from investing activities:				
Interest income	<u>1 237 76</u>	1 656 64	2 894 40	671
Net cash provided (used) for investing activities	4 007 70	4.050.04	0.004.40	0.74
investing activities	<u>1 237 76</u>	<u>1 656 64</u>	2 894 40	<u>6 71</u>
Net increase (decrease) in cash and				
cash equivalents	(22 787 08)	8 544 59	(14 242 49)	4 309 42
Cash and cash equivalents, March 1	93 <u>264 45</u>	<u>196 454 18</u>	<u>289 718 63</u>	<u>1 528 51</u>
Cash and Cash Equivalents,				
February 28	70 477 37	<u>204 998 77</u>	<u>275 476 14</u>	<u>5 837 93</u>
Reconciliation of operating income to net cash provided (used) for operating activities:				
Operating income (loss)	(42 231 85)	(11 025 21)	(53 257 06)	5 197 33
Depreciation	62 360 39	75 866 34	138 226 73	15 048 26
Increase (decrease) in assets and liabilities:				_
Accounts receivable	(3 006 28)	(4 579 52)	(7 585 80)	-
Accounts payable Net Cash Provided (Used) for	(509 15)	<u>118 23</u>	(390 92)	(26 6 <u>1)</u>
Operating Activities	<u> 16 613 11</u>	60 379 84	<u>76 992 95</u>	20 218 98

The accompanying notes are an integral part of these financial statements.

NOTES TO FINANCIAL STATEMENTS February 28, 2007

Note 1 – Summary of Significant Accounting Policies

The accounting policies of the Village of Tekonsha, Calhoun County, Michigan, conform to generally accepted accounting principles as applicable to governmental units.

Reporting Entity

The financial statements of the Village contain all the Village funds that are controlled by or dependent on the Township's executive or legislative branches.

The reporting entity is the Village of Tekonsha. The Village is governed by an elected Village Council. As required by generally accepted accounting principles, these financial statements present the Village as the primary government.

Government-Wide and Fund Financial Statements

The government-wide financial statements, (the Statement of Net Assets and the Statement of Changes in Net Assets) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments and other items not properly included among program revenues are reported as general revenue.

Major individual governmental and business type funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, restricted resources are applied first.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

NOTES TO FINANCIAL STATEMENTS February 28, 2007

Note 1 – Summary of Significant Accounting Policies (continued)

General Fund

This fund is used to account for all financial transactions except those required to be accounted for in another fund. The fund includes the general operating expenditures of the local unit. Revenues are derived primarily from property taxes, state and federal distributions, grants, and other intergovernmental revenues.

Special Revenue Funds

These funds are used to account for specific governmental revenues requiring separate accounting because of legal or regulatory provisions or administrative action.

Proprietary Funds

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Water and Sewer enterprise funds are charges to customers for services. The enterprise funds also recognize as operating revenues the tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for the enterprise funds include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Assets, Liabilities and Net Assets or Equity

Bank deposits and investments – Cash and cash equivalent investments include cash on hand, demand deposits, certificates of deposit and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables

Receivables have been recognized for all significant amounts due to the Village. Allowances for uncollectible accounts have not been provided for in that collection is not considered doubtful and any uncollected amount would be immaterial.

Inventories

Inventories of supplies are considered to be immaterial and are not recorded.

Property Taxes

Property taxes and other revenue that are both measurable and available for use to finance operations are recorded as revenue when earned.

Properties are assessed as of December 31 and the related property taxes become a lien on July 1 of the following year. These taxes are due on August 31. The Village 2006 tax roll millage rate was 11.000 mills, and the taxable value was \$13,155,545.00.

Encumbrances

Encumbrances involving the current recognition of purchase orders, contracts and other commitments for future expenditures are not recorded.

NOTES TO FINANCIAL STATEMENTS February 28, 2007

Note 1 – Summary of Significant Accounting Policies (continued)

Capital Assets

Capital assets are defined by the Village as assets with an initial cost of more than \$500.00 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost. Donated assets are reported at estimated fair market value at the date of donation. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings, additions and improvements	40 y	years
Furniture and equipment	5-7 y	years

Compensated Absences (Vacation and Sick Leave)

Village employees are not allowed to accumulate vacation and sick pay and therefore no accumulated amount is recorded in the financial statements.

Post-employment Benefits

The Village provides no post-employment benefits to past employees.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Note 2 – Budgets and Budgetary Accounting

The following procedures are followed in establishing the budgetary data reflected in these financial statements:

- 1. Prior to the beginning of the fiscal year, the proposed budget for each budgetary fund is submitted to the Village Council for consideration.
- 2. The proposed budgets include expenditures as well as the methods of financing them.
- 3. Public hearings are held to obtain taxpayer comments.
- 4. The budgets are adopted at the activity level by a majority vote of the Village Council.
- 5. The budgets are adopted on the modified accrual basis of accounting.
- 6. The originally adopted budgets can be amended during the year only by a majority vote of the Village Council.
- 7. The adopted budgets are used as a management control device during the year for all budgetary funds.
- 8. Budget appropriations lapse at the end of each fiscal year.

NOTES TO FINANCIAL STATEMENTS February 28, 2007

Note 2 – <u>Budgets and Budgetary Accounting (continued)</u>

9. The budgeted amounts shown in these financial statements are the originally adopted budgets with all amendments that were approved by the Village Council during the fiscal year.

Note 3 – Deposits and Investments

Michigan Compiled Laws, Section 129.91, authorizes the Village to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligation repurchase agreements; banker's acceptance of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The Village Council has designated two banks for the deposit of Village funds. The investment policy adopted by the council in accordance with Public Act 196 of 1997 has authorized investment in all investments authorized by state law as listed above.

The Village's deposits and investments are in accordance with statutory authority.

The Governmental Accounting Standards Board Statement No. 3, risk disclosures for the cash deposits are as follows:

	Carrying
	Amounts
Total Deposits	<u>468 521 55</u>

Amounts in the bank balances are without considering deposits in transit or uncleared checks.

	Bank <u>Balances</u>
Insured (FDIC) Uninsured and Uncollateralized	235 615 82 256 937 72
Total Deposits	492 553 54

The Village of Tekonsha did not have any investments as of February 28, 2007.

NOTES TO FINANCIAL STATEMENTS February 28, 2007

Note 4 - Interfund Receivables and Payables

The amounts of interfund receivables and payables are as follows:

<u>Fund</u>	Interfund Receivable	Fund	Interfund Payable
Local Street	34 228 67	General Major Street	9 969 64 24 259 03
	34 228 67		34 228 67
Major Street	41 000 00	General	41 000 00
General	167 816 53	Building	5 031 42
		Fire	34 426 11 13 418 11
		Major Street Sewer	53 323 14
		Local Street	14 988 95
		Water	9 685 97
		Equipment	36 942 83
	<u>167 816 53</u>		<u>167 816 53</u>
Building	5 018 70	General	5 018 70
Equipment	31 777 91	Major Street	4 372 50
		Local Street	20 926 58
		Sewer	2 801 20
	31 777 91	Water	3 677 63 31 777 91
Water	98 892 50	General	75 636 36
		Sewer	23 256 14
	98 892 50		98 892 50
Sewer	323 90	Local Street	323 90
Total	<u>379 058 21</u>	Total	379 058 21

NOTES TO FINANCIAL STATEMENTS February 28, 2007

Note 5 - Capital Assets

Capital asset activity of the Village's Governmental and Business-Type activities for the current year was as follows:

	Balance 3/1/06	Additions	Deletions	Balance 2/28/07
Governmental Activities:				
Land	287 918 24	-	-	287 918 24
Buildings	180 000 00	-	-	180 000 00
Equipment	139 633 36	861 12	-	140 494 48
				
Total	607 551 60	861 12	-	608 412 72
Accumulated Depreciation	<u>(134 345 84)</u>	(16 975 50)		<u>(151 321 34)</u>
Net Governmental Capital Assets	<u>473 205 76</u>	(16 114 38)		457 091 38
Business Type Activities:				
Water and Sewer Systems	6 128 282 87	-	-	6 128 282 87
Accumulated Depreciation	<u>(1 683 097 39)</u>	(138 226 73)		(1 821 324 12)
Net Business Type				
Capital Assets	<u>4 445 185 48</u>	(138 226 73)	-	4 306 958 75

Note 6 - Changes in Long-Term Debt

A summary of changes in long-term debt follows:

	Balance 3/1/06	Additions	Deductions	Balance 2/28/07
Note payable – 2003				
pickup truck	5 541 05	_	5 541 05	_
Note payable – fire truck	80 751 72	_	6 727 67	74 024 05
Note payable – industrial				
park	134 258 76	-	18 647 05	115 611 71
Sewer bonds payable	<u>1 978 000 00</u>		26 000 00	1 952 000 00
				<u></u>
Total	<u>2 198 551 53</u>	-	<u>56 915 77</u>	<u>2 141 635 76</u>

Note 7 - Note Payable - 2003 Pickup Truck

On February 26, 2003, the Village entered into a financing agreement to fund the purchase of a 2003 Ford pickup truck. The agreement required payments including interest at the rate of 4.54% per annum. During the fiscal year ended February 28, 2006, the principal balance was paid in full.

NOTES TO FINANCIAL STATEMENTS FEDRUARY 28, 2007

Note 8 - Note Payable - Fire Truck

On August 5, 1999, the Village entered into a financing agreement to fund the purchase of a 1999 Chevrolet fire truck. The agreement requires fifteen annual payments in the amount of \$12,420.67, including interest at the rate of 7.05% per annum. The Township of Tekonsha has agreed to pay fifty percent of each payment. As of February 28, 2007, the principal balance outstanding was \$74,024.05.

Note 9 – Note Payable – Industrial Park

On May 9, 2000, the Village obtained a \$393,000.00 loan from the Michigan Economic Development Corporation to partially fund the construction of an industrial park. The agreement requires quarterly payments of principal only in the amount of \$3,729.41 beginning May 1, 2003. The Village earned credits of \$10,000.00 for each qualifying net new job created and added to the existing job base. As of February 28, 2007, the principal balance outstanding was \$115,611.71.

Note 10 – 1999 Sanitary Sewerage System Revenue Bonds

On October 26, 1999, the Village issued \$2,110,000.00 of 1999 Sanitary Sewerage System Revenue Bonds. The bonds were purchased by the United States Department of Agriculture. The bond proceeds were used to partially pay for improvements to the Village's wastewater treatment lagoons. The bonds bear interest at the rate of 3.25% per annum. The bond principal and interest are to be repaid from the revenues of the Sewer Fund. The Village is required to maintain a Bond and Interest Redemption Account with amounts sufficient to make the required principal and interest payments. The Village is also required to maintain a Bond Reserve Account with \$2,875.00 per fiscal quarter, until \$115,000.00 is accumulated. The bond proceeds are recorded as a liability in the Sewer Fund. The principal balance outstanding as of February 28, 2007, was \$1,952,000.00.

Due	Principal
Date	Amount
5/1/07	27 000 00
5/1/08	28 000 00
5/1/09	29 000 00
5/1/10	31 000 00
5/1/11	32 000 00
5/1/12	33 000 00
5/1/13	35 000 00
5/1/14	36 000 00
5/1/15	38 000 00
5/1/16	40 000 00
5/1/17	42 000 00
5/1/18	43 000 00
5/1/19	46 000 00
5/1/20	47 000 00
5/1/21	50 000 00
5/1/22	52 000 00
5/1/23	54 000 00
5/1/24	57 000 00

NOTES TO FINANCIAL STATEMENTS February 28, 2007

Note 10 – 1999 Sanitary Sewerage System Revenue Bonds (continued)

Due	Principal
Date	Amount
5/1/25	59 000 00
5/1/26	62 000 00
5/1/27	65 000 00
5/1/28	67 000 00
5/1/29	71 000 00
5/1/30	74 000 00
5/1/31	77 000 00
5/1/32	81 000 00
5/1/33	84 000 00
5/1/34	88 000 00
5/1/35	92 000 00
5/1/36	96 000 00
5/1/37	101 000 00
5/1/38	105 000 00
5/1/39	110 000 00
Total	<u>1 952 000 00</u>

Note 11 – <u>Deferred Compensation Plan</u>

The Village offers its employees a deferred compensation plan created in accordance with IRC Section 457. The plan, available to employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to the employees until termination, retirement, death or unforeseeable emergency.

Note 12 - Pension Plan

The Village has a defined contribution pension plan which covers all full-time employees. Pension expense for the year ended February 28, 2007, was \$5,440.00.

Note 13 - Risk Management

The Village is exposed to various risks of loss related to property loss, torts, errors, omissions, and employee injuries (workers' compensation). The Village has purchased commercial insurance for property loss, torts and workers' compensation claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

Note 14 – Segment Information for Enterprise Funds

	Water Fund	Sewer Fund
Net fixed assets	2 257 167 19	2 049 791 56
Net assets	2 425 666 36	256 602 92
Operating revenues	74 395 28	188 388 88
Operating income (loss)	(42 231 85)	(11 025 21)

NOTES TO FINANCIAL STATEMENTS February 28, 2007

Note 14 – Segment Information for Enterprise Funds (continued)

	Water Fund	Sewer Fund
Net income (loss)	(40 994 09)	(73 231 07)
Total assets	2 440 993 05	2 288 552 31
Total liabilities	15 326 69	2 031 949 39

Note 15 - Transfers In and Transfers Out

For the fiscal year ended February 28, 2005, the Village made the following interfund transfers:

<u>Fund</u>	Transfers In	<u>Fund</u>	Transfers Out
Fire General Local Street	2 401 44 1 000 00 5 000 <u>00</u>	General Major Street Major Street	2 401 44 1 000 00 5 000 00
Total	<u>8 401 44</u>	Total	<u>8 401 44</u>

Note 16 - Building Permits

As of February 28, 2007, the Village had building permit revenues of \$6,525.75 and building permit expenses of \$6,608.67.

Note 17 - Budget Variances

For the fiscal year ended February 28, 2007, Village expenditures exceeded the budgeted amounts in the following activities:

	Final Budget	Actual Expenditures	Budget Variances
General Fund Activity:	<u> </u>	Experiorures	variances
Village Council	12 170 00	14 926 48	2 756 48
Police protection	39 910 00	43 561 16	3 651 16
Sidewalks	-	96 08	96 08
Drains	-	94 29	94 29

BUDGETARY COMPARISON SCHEDULE – GENERAL FUND Year ended February 28, 2007

	Year ended F	Eebruary 28, 2007		
		•		Variance with Final Budget
	Original	Final		Over
	Budget	Budget	Actual	(Under)
Revenues:	Dadget	<u> </u>		(Onder)
Property taxes	165 050 00	184 700 00	178 777 74	(5 922 26)
Licenses and permits	40 00	40 00	828 00	788 00
State revenue sharing	69 000 00	69 000 00	67 867 75	(1 132 25)
Charges for services	1 550 00	1 550 00	1 784 37	234 37
Special assessments	5 000 00	5 000 00	5 952 16	952 16
Interest	50 00	50 00	149 44	99 44
Miscellaneous	12 120 00	12 120 00	10 343 24	(1 776 76)
Total revenues	252 810 00	272 460 00	<u>265 702 70</u>	(6 757 30)
Expenditures:				
Legislative:				
Village Council	11 420 00	12 170 00	14 926 48	2 756 48
General government:				
Accounting	15 150 00	35 150 00	32 719 06	(2 430 94)
Clerk	16 850 00	9 850 00	7 371 74	(2 478 26)
Treasurer	7 700 00	7 700 00	6 538 22	(1 161 78)
Building and grounds	27 680 00	31 680 00	29 779 78	(1 900 22)
Public safety:				
Fire protection	28 750 00	28 750 00	22 535 91	(6 214 09)
Police protection	38 000 00	39 910 00	43 561 16	3 651 16
Planning and zoning	1 100 00	740 00	735 00	(5 00)
Public works:				
Public works	36 780 00	48 780 00	46 578 51	(2 201 49)
Sidewalks	10 000 00	-	96 08	96 08
Drains	-	-	94 29	94 29
Forestry	5 600 00	-	-	-
Mosquito control	2 000 00	3 400 00	3 375 43	(24 57)
Street lighting	17 000 00	20 100 00	18 460 99	(1 639 01)
Culture and recreation:				
Parks	11 950 00	9 450 00	8 906 67	(543 33)
Capital outlay	1 000 00	1 000 00	861 12	(138 88)
Debt service	15 000 00	<u> 18 850 00</u>	<u>18 647 05</u>	(202 95)
Total expenditures	245 980 00	267 530 00	<u>255 187 49</u>	(12 342 51)
Excess (deficiency) of revenues				
over expenditures	6 830 00	4 930 00	<u> 10 515 21</u>	<u>5 585 21</u>
Other financing sources (uses):				
Operating transfers in	1 000 00	1 000 00	1 000 00	-
Operating transfers out		-	(2 401 44)	(2 401 44)
Total other financing sources (uses)	1 00 <u>0 00</u>	1 000 00	<u>(1 401 44)</u>	<u>(2 401 44)</u>
Excess (deficiency) of revenues and	other			
sources over expenditures and				
other uses	7 830 00	5 930 00	9 113 77	3 183 77
Fund balance, March 1	-		83 104 04	83 104 04
Fund Balance, February 28	7 830 00	5 930 00	92 217 81	86 287 81
•			<u> </u>	

BUDGETARY COMPARISON SCHEDULE - MAJOR STREET FUND Year ended February 28, 2007

				Variance with Final Budget
	Original Budget	Final Budget	Actual	Over (Under)
Revenues:	Duugei	<u> Dudget</u>	Actual	(Onder/
State revenue sharing	57 000 00	57 000 00	65 675 34	8 675 34
Interest	100 00	100 00	1 250 66	1 150 66
Total revenues	57 100 00	<u>57 100 00</u>	66 926 00	9 826 00
Expenditures:				
Public works:				
Routine maintenance	66 860 00	66 860 00	21 096 35	(45 763 65)
Winter maintenance	7 830 00	7 830 00	5 262 06	(2 567 94)
Traffic services	1 600 00	1 600 00	<u>595 75</u>	(1 004 25)
Total expenditures	76 290 00	76 290 00	26 954 16	(49 335 84)
Excess (deficiency) of revenues				
over expenditures	(19 190 00)	(19 190 00)	<u>39 971 84</u>	59 161 84
Other financing sources (uses):				
Operating transfers out	(6 000 00)	(6 000 00)	(6 000 00)	
Total other financing sources (uses)	(6 000 00)	(6 000 00)	(6 000 00)	
Excess (deficiency) of revenues and other sources over expenditures				
and other uses	(25 190 00)	(25 190 00)	33 971 84	59 161 84
Fund balance, March 1	25 1 <u>90 00</u>	25 190 00	<u>81 255 72</u>	<u>56 065 72</u>
Fund Balance, February 28			<u>115 227 56</u>	115 227 56

BUDGETARY COMPARISON SCHEDULE – LOCAL STREET FUND Year ended February 28, 2007

	Original	Final		Variance with Final Budget Over
Revenues:	Budget	Budget	Actual	(Under)
State revenue sharing	23 800 00	18 100 00	17 941 81	(150 10)
Interest	50 00	50 00	133 61	(158 19)
interest _	30 00		133 01	<u>83 61</u>
Total revenues	23 850 00	<u> 18 150 00</u>	18 075 42	(74 58)
Expenditures:				
Public works:				
Routine maintenance	29 230 00	24 030 00	17 690 52	(6 339 48)
Winter maintenance	6 600 00	6 600 00	4 730 01	(1 869 99)
Traffic services	1 000 00	500 00	496 46	(3 54)
Total expenditures	36 8 <u>30 00</u>	<u>31 130 00</u>	<u>22 916 99</u>	(8 213 0 <u>1</u>)
Excess (deficiency) of revenues				
over expenditures	(12 980 00)	<u>(12 980 00)</u>	<u>(4 841 57)</u>	<u>8 138 43</u>
Other financing sources (uses):				
Operating transfers in	5 000 00	5 000 00	5 000 00	-
Total other financing sources (uses)	5 000 00	5 000 00	5 000 00	<u>-</u>
Excess (deficiency) of revenues and other sources over expenditures				
and other uses	(7 980 00)	(7 980 00)	158 43	8 138 43
Fund balance, March 1	7 980 00	<u>7 980 00</u>	21 336 04	13 356 04
Fund Balance, February 28		-	<u>21 494 47</u>	<u>21 494 47</u>

BUDGETARY COMPARISON SCHEDULE - FIRE FUND Year ended February 28, 2007

	Original Budget	Final Budget	Actual	Variance with Final Budget Over (Under)
Revenues:				
Charges for services	93 000 00	93 000 00	41 481 12	(51 518 88)
Interest	50 00	50 00	452 23	402 23
				(=
Total revenues	93 050 00	93 050 00	<u>41 933 35</u>	<u>(51 116 65)</u>
Expenditures: Public safety:				
Fire protection	72 100 00	72 100 00	51 783 43	(20 316 57)
Debt service	13 000 00	13 000 00	<u>12 420 67</u>	(579 33)
Total expenditures	85 100 0 <u>0</u>	<u>85 100 00</u>	64 204 10	(20 895 90)
Excess (deficiency) of revenues				
over expenditures	7 950 00	<u>7 950 00</u>	(22 270 75)	(30 220 75)
Other financing sources (uses): Operating transfers in Transfers to other units	-	- (27 650 00)	2 401 44 (27 650 00)	2 401 44
Total other financing sources (uses)		(27 650 00)	(25 248 56)	2 401 44
Total other illiancing sources (uses)	-	(27 030 00)	(23 240 30)	2 40 1 44
Excess (deficiency) of revenues and other sources over expenditures				
and other uses	7 950 00	(19 700 00)	(47 519 31)	(27 819 31)
Fund balance, March 1	-	<u>19 700 00</u>	47 519 31	27 819 31
Fund Balance, February 28	7 950 00			

COMBINING BALANCE SHEET – ALL SPECIAL REVENUE FUNDS February 28, 2007

	Major Street	Local Street	Fire	Building
<u>Assets</u>		0.000		
Cash in bank	105 264 28	20 396 27	34 426 11	-
Accounts receivable	-	-	-	122 35
Due from State of Michigan	11 193 88	3 238 80	-	-
Due from other funds	<u>41 000 00</u>	34 228 67		5 018 70
Total Assets	<u>157 458 16</u>	<u>57 863 74</u>	<u>34 426 11</u>	5 141 05
<u>Liabilities and Fund Balances</u>				
Liabilities:				
Accounts payable	180 96	129 84	-	-
Due to other funds	42 049 64	36 239 43	34 426 11	5 031 42
Total liabilities	42 230 60	36 369 27	34 426 11	5 031 42
Fund balances: Fund balances: Unreserved:				
Undesignated	115 227 56	21 494 47		109 63
Total fund balances	115 227 56	21 494 47		109 63
Total Liabilities and Fund Balances	<u>157 458 16</u>	57 863 74	<u>34 426 11</u>	5 141 05

Total
160 086 66 122 35 14 432 68 80 247 37
254 889 06
310 80 117 746 60 118_057 40
136 831 66 136 831 66
<u>254 889 06</u>

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – ALL SPECIAL REVENUE FUNDS Year ended February 28, 2007

	Major Street	Local Street	Fire	Building
Revenues:	- · · · · · · · · · · · · · · · · · · ·			
State revenue sharing	65 675 34	17 941 81	-	-
Charges for services	-	-	41 481 12	6 525 75
Interest	1 250 66	133 61	<u>452 23</u>	
Total revenues	66 926 00	<u> 18 075 42</u>	41 933 35	6 525 75
Expenditures:				
Public safety:				
Fire protection	-	-	51 783 43	=
Planning and zoning Public works:	-	-	-	6 608 67
Routine maintenance	21 096 35	17 690 52	-	_
Winter maintenance	5 262 06	4 730 01	_	_
Traffic services	595 75	496 46	-	-
Debt service	-		<u>12 420 67</u>	
Total expenditures	26 954 16	<u>22 916 99</u>	64 204 10	6 608 67
Excess (deficiency) of revenues				
over expenditures	39 971 84	(4 841 57)	(22 270 75)	(82 92)
Other financing sources (uses):				
Operating transfers in	-	5 000 00	2 401 44	-
Operating transfers out	(6 000 00)	-	-	-
Transfers to other units		<u> </u>	(27 650 00)	
Total other financing sources (uses)	(6 000 00)	5 000 00	(25 248 56)	
Excess (deficiency) of revenues and other sources over expenditures				
and other uses	33 971 84	158 43	(47 519 31)	(82 92)
Fund balances, March 1	81 255 72	21 336 04	47 519 31	192 55
Fund Balances, February 28	<u>115 227 56</u>	21 494 47		109 63

Total
83 617 15 48 006 87 1 836 50
<u>133 460 52</u>
51 783 43 6 608 67
38 786 87 9 992 07 1 092 21 12 420 67
120 683 92
12 776 60
7 401 44 (6 000 00) (27 650 00) (26 248 56)
(13 471 96)
<u> 150 303 62</u>
<u>136 831 66</u>

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REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

May 25, 2007

To the Village Council Village of Tekonsha Calhoun County, Michigan

We have audited the financial statements of the Village of Tekonsha, Calhoun County, Michigan, as of and for the year ended February 28, 2007, and have issued our report thereon dated May 25, 2007. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Village of Tekonsha's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control over Financial Reporting

In planning and performing our audit, we considered Village of Tekonsha's internal control over financial reporting in order to determine our auditing procedures for the purposes of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our study and evaluation disclosed the following condition that we believe to be a material weakness for which management believes corrective action is not practicable in the circumstances. Within the present plan of organization of the Village there is an inadequate control over cash transactions caused by an inadequate segregation of duties which is due to the limited number of office personnel employed. Such study and evaluation disclosed no conditions that we believe to be material weaknesses for which corrective action by management is practicable in the circumstances.

This report is intended for the information of management and federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited.

CAMPBELL, KUSTERER & CO., P.C.

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Certified Public Accountants

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AUDIT COMMUNICATION AND REPORT OF COMMENTS AND RECOMMENDATIONS

May 25, 2007

To the Village Council Village of Tekonsha Calhoun County, Michigan

We have audited the financial statements of the Village of Tekonsha for the year ended February 28, 2007. As required by auditing standards generally accepted in the United States, the independent auditor is required to make several communications to the governing body having oversight responsibility for the audit. The purpose of this communication is to provide you with additional information regarding the scope and results of our audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

<u>AUDITOR'S RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED</u> STATES

We conducted our audit of the financial statements of the Village of Tekonsha in accordance with auditing standards generally accepted in the United States. The following paragraph explains our responsibilities under those standards.

Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for the safeguarding of assets, and for devising an internal control structure that will, among other things, help assure the proper recording of transactions. The transactions that should be reflected in the accounts and in the financial statements are matters within the direct knowledge and control of management. Our knowledge of such transactions is limited to that acquired through our audit. Accordingly, the fairness of representations made through the financial statements is an implicit and integral part of management's accounts and records. However, our responsibility for the financial statements is confined to the expression of an opinion on them. The financial statements remain the responsibility of management.

The concept of materiality is inherent in the work of an independent auditor. An auditor places greater emphasis on those items that have, on a relative basis, more importance to the financial statements and greater possibilities of material error than those items of lesser importance or those in which the possibility of material error is remote.

For this purpose, materiality has been defined as "the magnitude of an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement."

An independent auditor's objective in an audit is to obtain sufficient competent evidential matter to provide a reasonable basis for forming an opinion on the financial statements. In doing so, the auditor must work within economic limits; the opinion, to be economically useful, must be formed within a reasonable length of time and at reasonable cost. That is why an auditor's work is based on selected tests rather than an attempt to verify all transactions. Since evidence is examined on a test basis only, an audit provides only reasonable assurance, rather than absolute assurance, that financial statements are free of material misstatement. Thus, there is a risk that audited financial statements may contain undiscovered material errors or fraud. The existence of that risk is implicit in the phrase in the audit report, "in our opinion."

To the Village Council Village of Tekonsha Calhoun County, Michigan

In the audit process, we gain an understanding of the internal control structure of an entity for the purpose of assisting in determining the nature, timing, and extent of audit testing. Our understanding is obtained by inquiry of management, testing transactions, and observation and review of documents and records. The amount of work done is not sufficient to provide a basis for an opinion on the adequacy of the internal control structure.

SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies are described in Note 1 to the financial statements.

OTHER COMMUNICATIONS

Auditing standards call for us to inform you of other significant issues such as, but not limited to, 1) Accounting estimates that are particularly sensitive because of their significance to the financial statements or because of the possibility that future events affecting them may differ markedly from management's current judgments; 2) Significant audit adjustments that may not have been detected except through the auditing procedures we performed; 3) Disagreements with management regarding the scope of the audit or application of accounting principles; 4) Consultation with other accountants; 5) Major issues discussed with management prior to retention; and 6) Difficulties encountered in performing the audit.

We have no significant issues, regarding these matters, to report to you at this time. Audit adjustments were minimal, and are available to review.

COMMENTS AND RECOMMENDATION REGARDING INTERNAL CONTROLS/ COMPLIANCE/ EFFICIENCY

Our procedures disclosed the following conditions that we would like to bring to your attention:

SEGREGATION OF DUTIES

A separation of duties between persons who authorize transactions and persons who have control over the related assets does not always exist.

The least desirable accounting system is one in which an employee is responsible for executing the transaction and then recording the transaction from its origin to its ultimate posting in the General Ledger. This increases the likelihood that intentional or unintentional errors will go undetected. In most cases, adequate segregation of duties substantially increases control over errors without duplication of effort.

We understand that due to the size of needed staff, a proper segregation of duties may be impractical and the "cost to benefit" relationship may not justify the addition of accounting staff to accomplish the desired segregation.

These conditions were considered in determining the nature, timing and extent of the audit tests to be applied in our audit of the Village's financial statements and this communication of these matters does not affect our report on the Village's financial statements, dated February 28, 2007.

SUMMARY

We welcome any questions you may have regarding the foregoing comments and we would be happy to discuss any of these or other questions that you might have at your convenience.

Sincerely, Fustance (O., P.C.

CAMPBELL, KUSTERER & CO., P.C.

Certified Public Accountants